

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4092-01
Bill No.: HB 1521
Subject: Education, Elementary and Secondary, Gambling.
Type: Original
Date: March 4, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	\$0	(\$37,350,200)	(\$74,700,400)
State School Money	\$0	\$0	\$0
Classroom Trust	\$0	\$0	\$0
Gaming Proceeds for Education	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	\$0	(\$37,350,200)	(\$74,700,400)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$37,350,200	\$74,700,400

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of **Department of Elementary and Secondary Education (DES)** state this proposal would take the gaming money currently used in funding the foundation formula and instead distribute that money on a per eligible pupil basis through a new fund labeled "Classroom Trust Fund" (CTF).

DES states that for FY2002, the gaming proceeds in the Gaming Proceeds for Education Fund transferred to the State School Moneys Fund (SSMF) is estimated to be \$186,751,000. This would be increased money to school districts IF the legislature replaces this source of money for the foundation formula with General Revenue as required in the proposal in Section 160.534.3. The bill proposes the elimination of the transfer to the State School Moneys Fund over 5 years. The increased state costs would be equal to the amount of gaming proceeds transferred to the State School Moneys Fund for the state aid formula, which is approximately \$186,751,000 in FY 02. Below is a chart showing the estimated distribution based on a constant \$186,751,000 each year.

Fiscal Year	Gaming Proceeds	%	Classroom Trust Fund	%	Transferred to SSMF	General Revenue Replacement Needed
'04	\$186,751,000	20%	\$ 37,350,200	80%	\$149,400,800	\$ 37,350,200
'05	\$186,751,000	40%	\$ 74,700,400	60%	\$112,050,600	\$ 74,700,400
'06	\$186,751,000	60%	\$112,050,600	40%	\$ 74,700,400	\$112,050,600
'07	\$186,751,000	80%	\$149,400,800	20%	\$ 37,350,200	\$149,400,800
'08	\$186,751,000	100%	\$186,751,000	0%	0	\$186,751,000

Department of Elementary and Secondary Education officials note that the amount per eligible pupil would be \$212 when the distribution change is completely effective in FY 2008 (\$186,751,000/ 880,000 pupils = \$204).

Officials from the **Missouri Lottery Commission** assume the Missouri Constitution requires all lottery profits to be transferred to the Lottery Proceeds Fund, which would prohibit the transfer of unclaimed prizes to any other statutorily-created fund.

Officials from the **Missouri Gaming Commission** and the **Office of the State Treasurer** each assume this proposal would not fiscally impact their respective agencies.

Officials from the **Office of Administration - Budget and Planning** did not respond to our request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
GENERAL REVENUE FUND			
<u>Costs</u> - Increased Transfers to the State School Moneys Fund	<u>\$0</u>	<u>(\$37,350,200)</u>	<u>(\$74,700,400)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>\$0</u>	<u>(\$37,350,200)</u>	<u>(\$74,700,400)</u>
STATE SCHOOL MONEYS FUND			
<u>Income</u> - Increased Transfer from the General Revenue Fund	\$0	\$37,350,200	\$74,700,400
<u>Loss</u> - Decreased Transfers from Gaming Proceeds for Education Fund	<u>\$0</u>	<u>(\$37,350,200)</u>	<u>(\$74,700,400)</u>
ESTIMATED NET EFFECT TO THE STATE SCHOOL MONEYS FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
CLASSROOM TRUST FUND			
<u>Income</u> - Transfer from the Gaming Proceeds for Education Fund	\$0	\$37,350,200	\$74,700,400
<u>Cost</u> - Distribution to School Districts	<u>\$0</u>	<u>(\$37,350,200)</u>	<u>(\$74,700,400)</u>
ESTIMATED NET EFFECT TO THE CLASSROOM TRUST FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
GAMING PROCEEDS FOR EDUCATION FUND			
<u>Savings</u> - Decreased Transfer to the State School Money Fund	\$0	\$37,350,200	\$74,700,400
<u>Cost</u> - Transfer to the Classroom Trust Fund	<u>\$0</u>	<u>(\$37,350,200)</u>	<u>(\$74,700,400)</u>
ESTIMATED NET EFFECT TO THE GAMING PROCEEDS FOR EDUCATION FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
SCHOOL DISTRICTS			
<u>Income</u> - Distributions from Classroom Trust Fund	<u>\$0</u>	<u>\$37,350,200</u>	<u>\$74,700,400</u>
ESTIMATED NET EFFECT TO THE SCHOOL DISTRICTS	<u>\$0</u>	<u>\$37,350,200</u>	<u>\$74,700,400</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

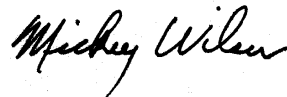
Currently, excursion gambling boat proceeds beyond the amount transferred to the School District Bond Fund are directed to the State School Moneys Fund to be distributed through the foundation formula. Under this proposal, certain amounts of these moneys will be transferred from the Gaming Proceeds for Education Fund to the newly created Classroom Trust Fund to fund school construction, teacher recruitment and professional development, technology enhancements, and school safety. The transfers, beginning with Fiscal Year 2004, will occur for five years in increasing increments of 20%. The moneys in the Classroom Trust Fund will be distributed to each district on a per-eligible-pupil basis and are exempt from certificated salary compliance. General revenue must replace the gaming funds that had been directed toward the State School Moneys Fund. The Classroom Trust Fund will also receive all unclaimed lottery prize money.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Missouri Gaming Commission
State Treasurer's Office
Missouri Lottery Commission.

NOT RESPONDING: **Office of Administration - Budget and Planning**



Mickey Wilson, CPA
Acting Director
March 4, 2002